



Community Bankers Association of Kansas

Kansas Legislative and Policy Report

March 28, 2022

Overview

We are just one long week away from First Adjournment on Friday, April 1st. And though this week was short, both chambers spent three days debating and passing roughly 100 bills. Both chambers worked well into the evening on Monday and Tuesday, with the House adjourning by early afternoon on Wednesday. The Senate worked well into the night and adjourned just after midnight on Thursday. The Legislature will return Monday to begin a long week of work conferencing by House and Senate committee leadership on bills and voting on conference committee reports (CCRs) to finalize agreements. As a reminder, CCRs simply require the six-member conference committees to come to an agreement which then must pass both chambers with a simple majority vote; there is no opportunity for further amendment, just a vote to accept or reject the CCR.

Despite debating a lengthy list of bills this week, neither chamber has taken up some of the biggest issues yet this Session: elimination of the state sales tax on food; medical marijuana; and sports betting, to name a few. We suspect many of those issues will not be resolved until the Veto Session, in part due to the pending decision on whether Kansas will secure the APEX economic development deal.

Much like this week, next week will be a flurry of activity between conference committees meeting back-to-back and both chambers meeting periodically throughout each day to run said conference committee reports.

Big Picture Issues

With just one week until First Adjournment the following issues are yet to be resolved:

- The State Budget. Both chambers have passed their respective budgets and it is expected the budget conference committee will begin first thing Monday.
- State Food Sales Tax Exemption. There was no movement on the issue this week, and there may not be until the Veto Session. Both chambers have their respective bills awaiting debate, and once each chamber advances its respective proposal, the issue will go to conference.
- Medical Marijuana. There was no movement on the issue this week, despite three days of hearings last week. Since the House passed its version of medical marijuana last year, if the Senate advances its version, the issue will end up in conference committee, but most likely not before Veto Session.

- Redistricting. Both chambers passed their redistricting maps this week. Both House and Senate maps were combined into one bill, which awaits Senate approval. Once that happens, another gubernatorial veto is possible.

Constitutional Amendments

- The Senate failed to advance two proposed constitutional amendments regarding judicial selection and tax increases. The first would have allowed the Governor to appoint state Supreme Court justices but they would then be subject to Senate confirmation. It would have eliminated the current Supreme Court Nominating Commission.
- The second would have required a supermajority for passage of certain bills containing new or increased state taxes.
- The Senate did approve the rules and regulations constitutional amendment that passed the House a few weeks ago. It would provide for legislative oversight of rules and regulations adopted by executive branch agencies and officials. It is somewhat related to a measure that has now passed both chambers, most recently the House, this week. Substitute for SB 34 would require review of administrative rules and regulations every five years. Both proposals are efforts by the majority party to exercise greater control over the executive branch.

Latest on Tax Policy

- Before adjourning in the middle of the night on Thursday, the Senate passed another tax relief bill that provides seniors and disabled veterans with a property tax break, as well as increases the standard deduction. The bill would increase the standard deduction for single filers from \$3,500 to \$3,850; from \$8,000 to \$8,800 for married couples; and from \$6,000 to \$6,600 for heads of household. The bill is estimated to cost the state \$165 million over the next three years if it passes.
- This latest tax relief bill is in addition to a tax cut bill passed last week by the Senate that includes tax breaks for housing projects, aviation tax credits, and increases the 20 mills residential property tax exemption from \$20,000 to \$65,000.
- Again, neither chamber has yet taken action to reduce or eliminate the state sales tax on food, which is estimated to cost the state \$450 million if eliminated immediately.

Financial Institutions Related Issues

This report focuses on the bills that are still alive, in conference committee, and being negotiated for possible final passage. This report does not include any of the bills that have not had a hearing or passed out from committee. If any of those bills creep back up for action, we will include them again, but that should not happen. For the remainder of the session, this report focuses on what is likely to be sent to the Governor.

Activity this Past Week

- Both chambers advanced a couple of financial institutions-related bills, most notably SB 483 (ATM theft/destruction), which is now headed to the Governor. It passed the House 122-0.
- TEFFI measures continue to make their way through the process, with the Senate passing two House TEFFI bills, despite recent controversial news involving Beneficient, the TEFFI company operating in Kansas. The Beneficient CEO and several board members are facing a federal lawsuit accusing Beneficient's former holding company of "misleading investors" and selling hundreds of millions in bonds that are "virtually worthless," according to the lawsuit.

Housing Bills

- SB 282: Provisions of two of the three major housing bills were included in the tax bill passed by the Senate on March 7th. Provisions of SB 369 and SB 375 were included and are as follows:
- SB 375: Tax credits for investment in residential housing projects in underserved rural and urban communities to accommodate new employees and support business growth.
 - Added to Senate tax reduction bill on March 3rd. Includes staggered tax credits depending on size to stimulate rural and low-income housing.
- SB 369: Establishing the Kansas affordable housing tax credit act providing income, privilege, and premium tax credits for qualified low-income housing projects. Essentially state enactment of the federal low-income housing tax credit statute.
- KLRD summary of SB 282 can be found here:
http://kslegislature.org/li/b2021_22/measures/documents/supp_note_sb282_01_0000.pdf
- Both the House and Senate budget committees have different positions on the Governor's request for an additional \$50 million for housing. The House is recommending the full \$70 million (the \$20 million in the Governor's budget plus the Governor's \$50 million budget amendment) and the Senate is recommending a total of \$50 million (the \$20 million in the Governor's budget and an additional \$30 million).

SB 376: Allow use of bond proceeds for construction of residential dwellings and buildings and to include the city of Topeka, increasing availability of loans or grants to rural communities for moderate income housing, establishing a program for urban communities for moderate income housing and permitting housing developments to include manufactured or modular housing.

- Mainly impacts counties with fewer than 25,000 inhabitants.
- Passed out of Senate Fed & State Affairs.

Active Bills

- SB 400 (now Sub for SB 400): Updating certain requirements and conditions relating to the creation, modification, and termination of trusts in the Kansas uniform trust code and updating the definition of resident trust for tax purposes.
 - The first two sections of the bill were removed to address the conferees' concerns and amends the definition of resident trust.
 - Summary of the bill as amended:
http://kslegislature.org/li/b2021_22/measures/documents/supp_note_sb400_01_0000.pdf
 - In short, the two sections that were removed included the provision for opting out of the rule against perpetuities as well as the decanting statute. The Judicial Council will continue to study these sections and the Legislature may address these issues in the future.
 - Passed the Senate 40-0.
 - Passed the House 120-0 on 3/17 and awaits the Governor's signature.
- SB 483: Increasing criminal penalties for theft and criminal damage to property involving remote service units such as automated cash dispensing machines and automated teller machines.
 - Passed both chambers and awaits the Governor's signature.
- SB 335 KBA health plan bill: Exempting certain business entities that provide health insurance in the state but are not subject to the jurisdiction of the commissioner of insurance from payment of the annual premium tax.
 - Passed the Senate 34-0 February 17th.
 - Passed the House 120-0 March 17th and awaits the Governor's signature.

- HB 2568 KMBA bill from the 2021 Session: Amending the Kansas mortgage business act by providing for mortgage business work at remote locations, license and registration renewal or reinstatement procedures, surety bond requirements and evidence of solvency and net worth and requiring notice when adding or closing branch offices.
 - Passed both chambers (House 118-3 and Senate 38-1) without amendment. Headed to the Governor.

TEFFI Bills

- SB 337: Converting the conditional charter issued for the pilot program under the TEFFI Act to a full TEFFI charter.
 - Signed by the Governor on 2/25.
- HB 2489: Companion bill to SB 334.
 - Passed the House 120-0 and the Senate 37-0.
 - Senate FI&I amended the bill to add definitions pertaining to out-of-state financial institutions; create requirements for state-chartered and out-of-state financial institutions engaging in fidfin transactions; and clarify the application of TEFFI Act provisions with the Kansas Banking Code regarding fidfin and TEFFI business by certain state-chartered financial institutions.
- HB 2547: Authorizing TEFFI insurance companies within the captive insurance act and providing for the requirements and operations thereof.
 - Passed the House 120-1 and the Senate 36-1. Headed to the Governor.

Upcoming Activities

The legislative schedule of hearings is updated regularly throughout the week can be found in the House and Senate calendars on the Legislature website at:

http://kslegislature.org/li/b2021_22/chamber/calendars/

Additionally, all hearings are now available online live and archived by the end of each day. You can find those hearings on the Legislature website at: <http://sg001-harmony.sliq.net/00287/Harmony/en/View/Calendar/>

Monday-Friday, March 28th-April 1st.

Conference committees & Floor action on CCRs.

Friday, April 1st.

First Adjournment.

Thursday-Friday, April 21st-22nd.

Omnibus budget meetings.

Monday, April 25th.

Legislature returns for Veto Session.

Wrap Up

Let us know if you have any questions.

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